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[Redacted]

6.2(d)

ROMANIA: The Bloc's Last Holdout

President Ceausescu's certain reelection as party chief at the national party congress that begins Monday will show Romania's isolation from the transformation sweeping Eastern Europe. [Redacted]

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Ceausescu has ensured that the five-day meeting will strictly follow his orthodox agenda. [Redacted]

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Ceausescu has reiterated his Stalinist worldview in a flurry of speeches, blasting Polish and Hungarian reforms as betrayals of "socialism" and accusing the West of campaigning to destabilize Eastern Europe. Despite his precautions and bluster, however, Ceausescu has begun to acknowledge more serious economic problems and to avow a new concern for the consumer. He recently shuffled a number of key jobs, apparently to improve economic performance, and has promised improvements in food and energy supplies. [Redacted]

6.2(d)

Comment: The upheavals in Eastern Europe, especially the leadership changes in East Germany and Bulgaria, appear to have steered Ceausescu's resolve to preserve Romania as a bastion of Marxism-Leninism. In fact, Romania closed its border with Hungary yesterday. Ceausescu may be setting the stage to denounce Budapest and reform at the congress. His uncompromising opposition to reform rules out major concessions at the congress, but Ceausescu may remove a few ministers and senior bureaucrats as scapegoats for persistent economic problems. His overriding concern now, however, is stability, and he will stop well short of a wholesale overhaul of the top levels. [Redacted]

6.2(d)

Despite sporadic rumors that Ceausescu's critics in the party might try to unseat him at the congress, there is no credible evidence that his position is endangered. Most Romanians, however resentful of the regime's repression and corruption, are convinced protests are futile as long as Ceausescu is in power; recent indications that his health may be flagging only reinforce this resignation. [Redacted]

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Once Ceausescu leaves the scene, however, major changes are likely to follow rapidly, perhaps accompanied by violence. The economic deterioration and popular frustration created by his rigid policies mean his nepotistic dictatorship probably will not long survive him. [Redacted]

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Romania's Draconian Economic Policies

President Ceausescu has virtually eliminated Romania's external debt, but at high cost. Import cutbacks, energy shortfalls, and capital stock deterioration have constrained real average annual industrial production growth from 1985 to 1988 to about 1 percent. Similar difficulties in agriculture and unfavorable weather have limited gains in farm output. Consumers have borne the brunt of the regime's austerity program—in Eastern Europe, only Albania has lower living standards.

The President probably will continue to put the burden of reinvigorating the economy on consumers. In outlining the plan for 1991-95, he is expected to give modernizing industry, maintaining export growth, and increasing foreign exchange reserves high priority. Although Ceausescu probably will pay lipservice to improving living standards, he is unlikely to devote significantly more resources to the consumer goods sector. With the debt paid off, however, the regime can shift resources relatively rapidly from the external sector to the domestic economy, if needed, to dampen unrest.



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